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Publication of *Gold Survey 2003*

Fresh gold demand collapses in the Middle East

A surge in locally generated scrap gold, coupled with a decline in domestic fabrication demand, resulted in a sharp drop in fresh bullion imports into the Middle East in 2002. This is one of the findings outlined in *Gold Survey 2003* released today by Gold Fields Mineral Services (GFMS), the precious metals consultancy.

Economic and political uncertainty and the high gold price in 2002 all combined to impact fresh gold demand in the region. Scrap gold supplies across the Middle East rose by 68 tonnes, a 26% year-on-year increase. Had it not been for a decline in scrap from Turkey – largely a reflection of high scrap supply in the previous year – the year-on-year rise would have been even more marked. Scrap generation in Egypt alone more than doubled to reach 105 tonnes, whilst scrap from Saudi Arabia increased by over 30%.

The sharp rise in scrap generation in Egypt, whilst also related to political uncertainty, economic weakness and high dollar gold prices, was specifically impacted by the weakness of the Egyptian pound. The 2002 average gold price when expressed in Egyptian pounds was up 30% year-on-year against a 14% increase for the dollar gold price. Gold fabrication in the Middle East was also affected by the above factors, although at under 9%, the fall in demand was less than the increase in scrap supply. Again, Egypt was impacted severely, with fabrication demand down by 21% year-on-year.

The volume of domestically generated scrap was substantial enough to satisfy a large share of the weakened fabrication demand in the region, resulting in lower fresh gold bullion imports. Indeed, the scale of scrap generation was such that a number of countries, in particular Egypt, exported a significant volume of scrap gold to Europe in 2002.

In early 2003, the build up of tensions in the region and the associated spike in the gold price above the \$380/oz level mean that Middle East scrap supplies have been maintained at elevated levels, and may even have increased during the first two months of the year.

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Gold Survey 2003 contains over 100 pages of statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS for £255/US\$395/€390 per copy.

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Note to Editors: GFMS (Gold Fields Mineral Services) is an independent London-based commodity research and consulting company, specialising in the analysis of the precious metals markets.

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